

**ACCOUNTING**

1 Which of the following statements is incorrect?

- Assets - Capital = Liabilities
- Liabilities + Assets = Capital
- Liabilities + Capital = Assets
- Assets - Liabilities = Capital

2 Which of the following is not an asset?

- Buildings
- Debtors
- Loan from K Harris
- Cash balance

3 Which of the following is a liability?

- Motor Vehicles
- Machinery
- Creditors for goods
- Cash at Bank

4 Which of the following is incorrect?

	Assets	Liabilities	Capital
	£	£	£
(A)	7,850	1,250	6,600
(B)	8,200	2,800	5,400
(C)	9,550	1,150	8,200
(D)	6,540	1,120	5,420

- (A)
- (B)
- (C)
- (D)

5 Which of the following statements is correct?

	Effect upon	
	Assets	Liabilities
(A) We paid a creditor by cheque	-Bank	-Creditors
(B) A debtor paid us £90 in cash	+Cash	+Debtors
(C) J Hall lends us £500 by cheque	+Bank	-Loan from Hall
(D) Bought goods on credit	+Stock	+Capital

- (A)

- (B)
- (C)
- (D)

6 Which of the following are correct?

	Accounts	To record	Entry in the account
(i)	Assets	an increase	Debit
		a decrease	Credit
(ii)	Capital	an increase	Debit
		a decrease	Credit
(iii)	Liabilities	an increase	Credit
		a decrease	Debit

- (i), (ii) and (ii)
- (i) and (ii)
- (i) and (iii)
- (ii) and (iii)

7 Which of the following are correct?

- (i) Bought office furniture for cash
- (ii) A debtor, P Sangster, pays us by cheque
- (iii) Introduced capital by cheque
- (iv) Paid a creditor, B Lee, by cash

Account to be debited	Account to be credited
Office furniture	Cash
Bank	P Sangster
Capital	Bank
B Lee	Cash

- (i) and (iv) only
- (i), (ii) and (iii) only
- (i), (ii) and (iv) only
- (ii), (iii) and (iv) only

8 Which of the following are incorrect?

- (i) Sold van for cash
- (ii) Returned some of Office Equipment to Suppliers Ltd
- (iii) Repaid part of loan from C Charles by cheque
- (iv) Bought machinery on credit from Betterways Ltd

Account to be debited	Account to be credited
Cash	Van
Office Equipment	Suppliers Ltd
Loan from C Charles	Bank
Betterways Ltd	Machinery

- (i) and (iii) only
- (ii) and (iv) only
- (iii) and (iv) only
- (ii) and (iii) only

9 Which of the following best describes the meaning of 'Purchases'?  
 Goods bought on credit  
 Goods paid for  
 Goods bought for resale  
 Items bought

10 Which of the following should not be called 'Sales'?  
 Goods sold for cash  
 Sale of item previously included in 'Purchases'  
 Office fixtures sold  
 Goods sold on credit

11 Of the following, which are correct?  

	<i>Account to be debited</i>	<i>Account to be credited</i>
(i) Goods sold on credit to R Williams	R Williams	Sales
(ii) S Johnson returns goods to us	Returns inwards	S Johnson
(iii) Goods bought for cash	Cash	Purchases
(iv) We returned goods to A Henry	A Henry	Returns inwards

  
 (iii) and (iv) only  
 (ii) and (iv) only  
 (i) and (ii) only  
 (i) and (iii) only

12 Which of the following are incorrect?  

	<i>Account to be debited</i>	<i>Account to be credited</i>
(i) Goods sold for cash	Cash	Sales
(ii) Goods bought on credit from T Carter	Purchases	T Carter
(iii) Goods returned by us to C Barry	C Barry	Returns outwards
(iv) Van bought for cash	Purchases	Cash

  
 (ii) and (iv) only  
 (iv) only  
 (iii) only  
 (i) and (iii) only

13 Given the following, what is the amount of Capital? Assets: Premises £20,000; Stock £8,500; Cash £100. Liabilities: Creditors £3,000; Loan from A Adams £4,000  
 £21,100  
 £21,400

£21,600  
 £32,400

14 Which of the following is correct?  
 Profit reduces capital  
 Profit increases capital  
 Capital can only come from profit  
 Profit does not alter capital

15 Which of the following are correct?  

	Account to be debited	Account to be credited
(i) Received commission by cheque	Bank	Commission received
(ii) Paid rates by cash	Rates	Cash
(iii) Paid motor expenses by cheque	Motor expenses	Bank
(iv) Received refund of insurance by cheque	Insurance	Bank

  
 (i), (ii) and (iii) only  
 (i) and (ii) only  
 (i), (ii) and (iv) only  
 (i), (iii) and (iv) only

16 Of the following, which are incorrect?  

	Account to be debited	Account to be credited
(i) Sold van for cash	Cash	Sales
(ii) Bought stationery by cheque	Stationery	Bank
(iii) Took cash out of business for private use	Cash	Drawings
(iv) Paid general expenses by cheque	General expenses	Bank

  
 (ii) and (ii) only  
 (ii) and (iv) only  
 (i) and (iii) only  
 (ii) and (iii) only

17 What is the balance on the following account on 31 May 20X5?  

C De Freitas			
20X5	£	20X5	£
May 1 Sales	205	May 17 Cash	300
"" 14 Sales	360	"" 28 Returns	50
"" 30 Sales	180		

  
 A debit balance of £395  
 A credit balance of £395

- There is a nil balance on the account
- A debit balance of £380

18 What would have been the balance on the account of C De Freitas in MC17 on 19 May 20X5?

- A credit balance of £445
- A credit balance of £95
- A credit balance of £265
- A debit balance of £265**

19 Which of the following best describes a trial balance?

- Shows all the entries in the books
- It is a list of balances on the books**
- Shows the financial position of a business
- It is a special account

20 Is it true that the trial balance totals should agree?

- No, there are sometimes good reasons why they differ
- Yes, always**
- Yes, except where the trial balance is extracted at the year end
- No, because it is not a balance sheet

21 Gross profit is:

- Cost of goods sold + Opening stock
- Excess of sales over cost of goods sold**
- Sales less Purchases
- Net profit less expenses of the period.

22 Net profit is calculated in the:

- Profit and loss account**
- Balance sheet
- Trial balance
- Trading account

23 To find the value of closing stock at the end of a period we

- do this by stocktaking
- deduct cost of goods sold from sales
- deduct opening stock from cost of goods sold
- look in the stock account

24 The credit entry for net profit is on the credit side of:

- The trading account
- The drawings account
- The capital account
- The profit and loss account

25 Which of these best describes a balance sheet?

- A statement of assets
- A listing of balances
- An account proving the books balance
- A record of closing entries

26 The descending order in which current assets should be shown in the balance sheet is:

- Debtors, Stock, Bank, Cash
- Cash, Bank, Debtors, Stock
- Stock, Debtors, Cash, Bank
- Stock, Debtors, Bank, Cash

27 Which of these best describes fixed assets?

- Are bought to be used in the business
- Are expensive items bought for the business
- Are items which will not wear out quickly
- Are of long life and are not bought specifically for resale

28 Carriage inwards is charged to the trading account because:

- Carriage outwards goes in the profit and loss account
- It is an expense connected with buying goods
- It is not part of motor expenses

It should not go in the balance sheet

29 Given figures showing: Sales £8,200; Opening stock £1,300; Closing stock £900; Purchases £6,400; Carriage inwards £200, the cost of goods sold figure is:

Another figure

£6,200

£6,800

£7,000

30 The costs of putting goods into a saleable condition should be charged to:

Trading account

Profit and loss account

Balance sheet

None of these

31 Suppliers' personal accounts are found in the:

Sales ledger

Nominal ledger

Purchases ledger

General ledger

32 The Sales Day Book is best described as:

Containing customers' accounts

Containing real accounts

Part of the double entry system

A list of credit sales

33 Which of the following are personal accounts?

(i) Buildings

(ii) Wages

(iii) Debtors

(iv) Creditors

(ii) and (iii) only

(i) and (iv) only

(ii) and (iv) only

(iii) and (iv) only

34 When Lee makes out a cheque for £50 and sends it to Young, then Lee is known as:

- The payee
- The banker
- The drawer
- The creditor

35 If you want to make sure that your money will be safe if Cheques sent are lost in the post, you should:

- Always pay by cash
- Cross your Cheques 'Account Payee only, Not Negotiable'
- Always take the money in person
- Not use the postal service in future

36 When banking money in to your current account you should always use:

- A general ledger
- A cheque book
- A cash book
- A paying-in slip

37 A debit balance of £100 in a cash account shows that:

- There was £100 cash in hand
- The total of cash received was less than £100
- £100 was the total of cash paid out
- Cash has been overspent by £100

38 £50 cash taken from the cash till and banked is entered:

- Debit cash column £50: Credit bank column £50
- Debit bank column £50: Credit bank column £50
- Debit bank column £50: Credit cash column £50
- Debit cash column £50: Credit cash column £50

39 A credit balance of £200 on the cash columns of the cash book would mean:

- We have £200 cash in hand
- Someone has stolen £200 cash
- We have spent £200 more than we have received

40 'Posting' the transactions in bookkeeping means:

- The bookkeeper has made a mistake
- Making the second entry of a double entry transaction
- Entering items in a cash book
- Making the first entry of a double entry transaction
- Something other than the above

41 A cash discount is best described as a reduction in the sum to be paid:

- If payment is made by cash, not cheque
- If purchases are made for cash, not on credit
- If payment is made either by cash or cheque
- If payment is made within a previously agreed period

42 Discounts received are:

- Deducted by us when we pay our accounts
- Deducted when we receive cash
- Given by us when we sell goods on credit
- None of these

43 The total of the 'Discounts Allowed' column in the Cash Book is posted to:

- The debit of the Discounts Received account
- The debit of the Discounts Allowed account
- The credit of the Discounts Allowed account
- The credit of the Discounts Received account

44 Sales invoices are first entered in:

- The Cash Book
- The Purchases Journal
- The Sales Journal
- The Sales Account

45 The total of the Sales Journal is entered on:

- The debit side of the Sales Account in the General Ledger
- The credit side of the General Account in the Sales Ledger

- The credit side of the Sales Account in the General Ledger
- The debit side of the Sales Day Book

46 Given a purchases invoice showing 5 items of £80 each, less trade discount of 25 per cent and cash discount of 5 per cent, if paid within the credit period, your cheque would be made out for:

- £260
- £280
- £285
- None of these

47 An alternative name for a Sales Journal is:

- Sales Day Book
- Sales Ledger
- Sales Invoice
- Daily Sales

48 Entered in the Purchases Journal are:

- Discounts received
- Purchases invoices
- Payments to suppliers
- Trade discounts

49 The total of the Purchases Journal is transferred to the:

- Credit side of the Purchases Account
- Credit side of the Purchases Book
- Debit side of the Purchases Account
- Debit side of the Purchases Day Book

50 Credit notes issued by us will be entered in our:

- Sales Account
- Returns Outwards Journal
- Returns Inwards Journal
- Returns Inwards Account

51 The total of the Returns Outwards Journal is transferred to:

- The debit side of the Returns Outwards Account
- The credit side of the Returns Outwards Book
- The credit side of the Returns Outwards Account
- The debit side of the Purchases Returns Book

52 We originally sold 25 items at £12 each, less 33 1/3 per cent trade discount. Our customer now returns 4 of them to us. What is the amount of credit note to be issued?

- £36
- £30
- £32
- £48

53 Depreciation is:

- The salvage value of a fixed asset
- The amount of money spent in replacing assets
- The part of the cost of the fixed asset consumed during its period of use by the firm
- The amount spent to buy a fixed asset

54 A firm bought a machine for £3,200. It is to be depreciated at a rate of 25 per cent using the Reducing Balance Method. What would be the remaining book value after 2 years?

- £2,400
- £1,800
- £1,600
- Some other figure

55 A firm bought a machine for £16,000. It is expected to be used for 5 years then sold for £1,000. What is the annual amount of depreciation if the straight line method is used?

- £3,750
- £3,100
- £3,200
- £3,000

56 At the balance sheet date the balance on the Accumulated Provision for Depreciation Account is:

- Transferred to Depreciation Account
- Transferred to the Asset Account

- Transferred to Profit and Loss Account
- Simply deducted from the asset in the Balance Sheet

57 In the trial balance the balance on the Provision for Depreciation Account is:

- Not shown, as it is part of depreciation
- Sometimes shown as a credit, sometimes as a debit
- Shown as a credit item
- Shown as a debit item

58 If an accumulated provision for depreciation account is in use then the entries for the year's depreciation would be:

- Credit Asset Account, debit Provision for Depreciation Account
- Debit Asset Account, credit Profit and Loss Account
- Credit Provision for Depreciation Account, debit Profit and Loss Account
- Credit Profit and Loss Account, debit Provision for Depreciation Account

59 When the final accounts are prepared, the Bad Debts Account is closed by a transfer to the:

- Trading Account
- Provision for Doubtful Debts Account
- Balance Sheet
- Profit and Loss Account

60 A Provision for Doubtful Debts is created:

- When debtors cease to be in business
- To provide for possible bad debts
- When debtors become bankrupt
- To write off bad debts

61 Working Capital is a term meaning:

- The total of Fixed Assets - Current Assets
- The capital less drawings
- The amount of capital invested by the proprietor
- The excess of the current assets over the current liabilities

62 A credit balance brought down on a Rent Account means:

- We have paid too little in rent
- We have paid too much rent
- We owe that rent at that date**
- We have paid that rent in advance at that date

63 A debit balance brought down on a Packing Materials Account means:

- We have a stock of packing materials unused**
- We are owed for packing materials
- We have lost money on packing materials
- We owe for packing materials

64 If we take goods for own use we should:

- Debit Drawings Account: Credit Purchases Account**
- Debit Drawings Account: Credit Stock Account
- Debit Sales Account: Credit Stock Account
- Debit Purchases Account: Credit Drawings Account

65 Capital Expenditure is:

- The costs of running the business on a day-to-day basis
- Money spent on buying fixed assets or adding value to them**
- Money spent on selling fixed assets
- The extra capital paid in by the proprietor

66 In the business of C Songster, who owns a clothing store, which of the following is Capital Expenditure?

- (i) Shop fixtures bought
- (ii) Wages of assistants
- (iii) New van bought
- (iv) Petrol for van
- (ii) and (iv)
- (i) and (iii)**
- (i) and (ii)
- (ii) and (iii)

67 If £500 was shown added to Purchases instead of being added to a fixed asset:

- Net profit only would be overstated

- Both gross and net profits would be understated
- Net profit only would be understated
- It would not affect net profit

68 A cheque paid by you, but not yet passed through the banking system, is:

- A credit transfer
- A dishonored cheque
- An un-presented cheque**
- A standing order

69 A Bank Reconciliation Statement is a statement:

- Sent by the bank when we have made an error
- Drawn up by the bank to verify the cash book
- Sent by the bank when the account is overdrawn
- Drawn up by us to verify our cash book balance with the bank statement balance**

70 Which of the following are not true? A Bank Reconciliation Statement is

- (i) Part of the double entry system
- (ii) Not part of the double entry system
- (iii) Sent by the firm to the bank
- (iv) Posted to the ledger accounts.

- (i), (ii) and (iv)
- (i), (iii) and (iv)
- (i) and (ii)
- (ii), (iii) and (iv)

71 Which of the following should be entered in the Journal?

- (i) Payment for cash purchases
- (ii) Fixtures bought on credit
- (iii) Credit sale of goods
- (iv) Sale of surplus machinery.

- (i) and (iv)
- (ii) and (iv)
- (iii) and (iv)
- (ii) and (iii)

72 The Journal is:

- Used when other journals have been mislaid
- A supplement to the Cash Book
- Not part of the double entry system
- Part of the double entry system

73 Given desired cash float of £200, if £146 is spent in the period, how much will be reimbursed at the end of the period?

- £53
- £146
- £254
- £200

74 When a petty cash book is kept there will be:

- No entries made at all in the general ledger for items paid by petty cash
- The same number of entries in the general ledger
- Fewer entries made in the general ledger
- More entries made in the general ledger

75 Which of the following do not affect trial balance agreement?

- (i) Sales £105 to A Henry entered in P Henry's account
- (ii) Cheque payment of £134 for Motor expenses entered only in Cash Book
- (iii) Purchases £440 from C Browne entered in both accounts as £404
- (iv) Wages account added up incorrectly, being totaled £10 too much.

- (i) and (iii)
- (ii) and (iii)
- (i) and (iv)
- (iii) and (iv)

76 Which of the following are not errors of principle?

- (i) Motor expenses entered in Motor Vehicles account
- (ii) Purchases of machinery entered in Purchases account
- (iii) Sale of £250 to C Phillips completely omitted from books
- (iv) Sale to A Henries entered in A Henry's account.

- (iii) and (iv)
- (ii) and (iii)
- (i) and (ii)
- (i) and (iv)

77 Errors are corrected via the Journal because:

- It saves the bookkeeper's time
- It provides a good record explaining the double entry records
- It saves entering them in the ledger
- It is much easier to do

78 Which of these errors would be disclosed by the trial balance?

- A purchase of £250 was omitted entirely from the books
- Credit sales of £300 entered in both double entry accounts as £30
- Selling expenses had been debited to Sales Account
- Cheque £95 from C Smith entered in Smith's account as £59

79 If a trial balance totals do not agree, the difference must be entered in:

- The Profit and Loss Account
- A Nominal Account
- The Capital Account
- A Suspense Account

80 What should happen if the balance on a Suspense Account is of a material amount?

- Write it off to Profit and Loss Account
- Should be written off to the balance sheet
- Carry forward the balance to the next period
- Find the error(s) before publishing the final accounts

81 Given opening debtors of £11,500, Sales £48,000 and receipts from debtors £45,000, the closing debtors should total:

- £14,500
- £83,500
- £18,500
- £8,500

82 In a Sales Ledger Control Account the Bad Debts written off should be shown in the account:

- As a credit
- As a debit

- As a balance carried down
- Both as a debit and as a credit

83 MC83 If cost price is £90 and selling price is £120, then:

- (i) Mark-up is 25 per cent
- (ii) Margin is 331/3 per cent
- (iii) Margin is 25 per cent
- (iv) Mark-up is 331/3 per cent

- (i) and (ii)
- (i) and (iii)
- (iii) and (iv)
- (ii) and (iv)

84 Given cost of goods sold £16,000 and margin of 20 per cent, then sales figure is:

- £21,000
- £20,000
- £13,600
- £20,160

85 If opening stock is £3,000, closing stock £5,000, sales £40,000 and margin 20 per cent, then stock turn is:

- 7 1/2 times
- 8 times
- 5 times
- 6 times

86 If creditors at 1 January 20X3 were £2,500, creditors at 31 December 20X3 £4,200 and payments to creditors £32,000, then purchases for 20X3 are:

- £31,600
- £38,700
- £33,700
- £30,300

87 Given opening capital of £16,500, closing capital as £11,350 and drawings were £3,300, then:

- Profit for the year was £8,450
- Loss for the year was £8,450

- Profit for the year was £1,850
- Loss for the year was £1,850

88 A Receipts and Payments Account is one:

- In which the surplus of income over expenditure is calculated
- In which the opening and closing cash balances are shown
- Which is accompanied by a balance sheet
- In which the profit is calculated

89 Prime cost includes:

- (i) Direct labour
- (ii) Factory overhead expenses
- (iii) Raw materials consumed
- (iv) Direct expenses

- (i), (iii) and (iv)
- (i), (ii) and (iii)
- (ii), (iii) and (iv)
- (i), (ii) and (iv)

90 Which of the following should be charged in the Profit and Loss Account?

- Carriage on raw materials
- Work in progress
- Office rent
- Direct materials

91 In the Manufacturing Account is calculated:

- The production costs paid in the year
- The total cost of goods produced
- The gross profit on goods sold
- The production cost of goods completed in the period

92 The best method of departmental accounts is:

- To allocate expenses in proportion to purchases
- To allocate expenses in proportion to sales
- To charge against each department its uncontrollable costs
- To charge against each department its controllable costs

93 Where there is no partnership agreement then profits and losses:  
 **Must be shared equally**  
 Must be shared in same proportion as capitals  
 Must be shared equally after adjusting for interest on capital  
 None of these

94 If it is required to maintain fixed capitals then the partners' shares of profits must be:  
 Credited to capital accounts  
 Debited to capital accounts  
 Debited to partners' current accounts  
 **Credited to partners' current accounts**

95 You are to buy an existing business which has assets valued at buildings £50,000, Motor vehicles £15,000, Fixtures £5,000 and Stock £40,000. You are to pay £140,000 for the business. This means that:  
 You have made an arithmetical mistake  
 You are paying £40,000 for Goodwill  
 Buildings are costing you £30,000 more than their value  
 **You are paying £30,000 for Goodwill**

96 Assets can be revalued in a partnership change because:  
 The depreciation charged on them needs to be reversed  
 **It helps prevent injustice to some partners**  
 The law insists upon it  
 Inflation affects all values

97 Any loss on revaluation is:  
 **Debited to old partners in old profit-sharing ratios**  
 Credited to old partners in old profit-sharing ratios  
 Credited to new partners in new profit-sharing ratios  
 Debited to new partners in new profit-sharing ratios

98 In a limited company which of the following are shown in the Appropriation Account?  
(i) Debenture interest  
(ii) Proposed dividend  
(iii) Transfers to reserves  
(iv) Directors' remuneration

- (i) and (ii)
- (i) and (ii)
- (ii) and (iii)
- (ii) and (iv)

99 The Issued Capital of a company is:

- Always the same as the Authorized Capital
- The same as Preference Share Capital
- Equal to the reserves of the company
- None of the above

100 A company wishes to pay out all available profits as dividends. Net profit is £26,600. There are 20,000 8% Preference shares of £1 each, and 50,000 Ordinary shares of £1 each. £5,000 is to be transferred to General Reserve. What Ordinary dividends are to be paid, in percentage terms?

- 40 per cent
- 60 per cent
- 10 per cent
- 20 per cent